WEEKLY ECONOMIC REVIEW

January 25, 2008

Alberta's inflation rate fell to 4.1% in December, a significant moderation from the 4.7% posted in November. The slowdown was largely explained by lower natural gas prices and moderating home replacement costs. Also, the national inflation rate was 2.4%, down from 2.5% recorded in November.

Alberta retail sales showed a small increase in November, rising 0.8% from October. Compared to November 2006, sales are up 7.6%. Overall, retail sales in Canada grew 0.7% from October and 6.1% since November 2006. Higher gasoline prices and a strong holiday shopping season were the primary reasons for the gain.

On Tuesday the Bank of Canada trimmed 25 basis points off of the target overnight rate. Deteriorating financial market conditions and a worsening outlook for the U.S. economy prompted the cut. Also, the Bank downgraded its expectations for the Canadian economy in 2008, predicting 1.8% growth.

In response to the global sell off in financial markets last week and early this week, the U.S. Federal Reserve also cut its key interest rates on Tuesday. The 75 basis point decrease came between scheduled announcement dates and represents the largest single rate cut in more than two decades. The Federal Reserve cited increasing risks to economic growth as the motivation for the cut. Also, a tentative agreement was reached on Thursday regarding the economic stimulus package announced last week. The package includes up to $150 billion worth of tax rebates and business investment incentives.

Cdn Dollar (USȼ/CS)

January 25, 2008	99.6
January 18, 2008	97.1
2007-08 YTD	96.5

WTI Oil US$/bbl

January 24, 2008	$ 89.41
January 17, 2008	$ 90.13
2007-08 YTD	$ 78.24

Nymex Natural Gas CS/MMBtu *
February Contract

January 25, 2008	$ 7.94
January 18, 2008	$ 8.43

*Estimate based on Nymex Futures Market Price

Global financial markets recovered on news of interest rate cuts and the U.S. stimulus package. Oil prices rebounded from a sharp sell off earlier in the week when they dipped below $87. Also, the Canadian dollar appreciated more than 2 cents this week on strong commodity prices and the U.S. rate cut.

Existing-home sales in the U.S. fell 2.2% in December from the previous month. For all of 2007, existing-home sales were down almost 13% compared to 2006. Also, median home prices dropped 1.4% in 2007, the first decrease since records began in 1968.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date[1]
Consumer Price Index[2]	**December**			
Alberta	118.9	-0.2%	4.1%	5.0%
Canada	112.0	0.1%	2.4%	2.2%
Retail Trade ($ Millions)[2]	**November**			
Alberta	5,145	0.8%	7.6%	9.2%
Canada	34,762	0.7%	6.1%	5.7%
Wholesale Trade ($ Millions)[2]	**November**			
Alberta	5,602	0.0%	6.5%	6.0%
Canada	43,946	0.3%	5.5%	5.1%

Source: Statistics Canada. [1]Year-to-date 2007 compared to the same period in 2006. [2] Seasonal adjusted